

**A STUDY ON BUSINESS INCUBATORS AND
DEVELOPING AN APPROPRIATE NEW MODEL
FOR SRI LANKA**

**MASTER OF BUSINESS ADMINISTRATION
IN
MANAGEMENT OF TECHNOLOGY**



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December 2005

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The Dissertation was submitted to the Department of Management of Technology of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration.

Department of Management of Technology


University of Moratuwa

December 2005

Supervisor of the Research Project: Dr. Sarath Dasanayaka

DECLARATION

"I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any University to the best of my knowledge and belief it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations"

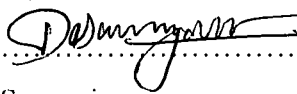

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ABSTRACT

Business Incubators are designed specifically to assist business start-up firms within the first critical years of their business until they become successful ventures that are able to operate independently and financially viable. According to the National Business Incubator Association based in USA there are more than 2500 Business Incubators operating in the world today and out of them around 600 Business Incubators are set up in the United States alone. It is clear that Business Incubation is on the rise on a global scale. The number of Business Incubators in the developing countries is increasing annually at a rate of 20%. Successful business incubation programmes are varies from country to country according to their socio economic differences.

This study is aimed identifying adverse and favorable circumstances for SME business incubation in Sri Lanka and to propose a new BI model based on experiences gained in attempts at establishing three Business Incubators recently in Sri Lanka. A review has also been made of experiences in business incubation at the global level and regional levels. A comprehensive study has been made on the Business Development Sector and the SME targeted enterprise development schemes. Incidental factors which are useful in formulating a Business Incubator model such as entrepreneurship have also been discussed. The study revealed that there is a wide area to be studied and researched prior to developing a suitable business startup nurturing mechanism for Sri Lanka. No successful attempt has been made so far, by the government of Sri Lanka or by any other institution to setup an effective mechanism in this regard. All the isolated attempts have become failures due to deficiencies in programming and lack of government support.

A major part of the study was devoted to the substantial literature survey and situational analysis of three Business Incubators in Sri Lanka. A research was made by means of informal discussions with professionals and entrepreneurs over the telephone as well as direct visits to Business Incubators, relevant firms and Business Development Service centers.

The study further revealed that there is no good demand from Sri Lankan business start ups for the physical services offered by an Incubator. But careful seeding of funds with management support has yielded favorable results. An official monitoring for all infant business firms by means of a national institution has been found to be a requirement. The

outcome of the research has been a new business incubator model with management and venture capital services against the facility bound conventional BI. It is proposed that industry specific Incubators should be established integrated officially with the Department of Business Registration, National Business Incubation Authority (as proposed by the researcher) as well as the SME Bank which was established recently.



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Abbreviations

BDS	Business Development Services
BI	Business Incubator
CSC	Construction Solutions Center
EDS	Enterprise Development Services
IT	Information Technology
ICT	Information Communication Technology
NIC	Newly Industrialized Country
GDP	Gross Domestic Product
R&D	Research and Development
SBDC	Small Business Development Center
S & T	Science and Technology
SEEDS	Sarvodaya Enterprise and Economic Development Service
SME	Small and Medium Scale Entrepreneurs
IDB	Industrial Development Board
SLIIT	Sri Lanka Institute of Information Technology
NSF	National Science Foundation of USA
NBI	Nawabima Business Incubator
NBIA	National Business Incubators Association of USA
NEMA-	National Enterprise Monitoring Authority
SEC	Securities and Exchange Commission of USA
MSC	Multimedia Super Corridor of Malaysia
TPM	Technology Parks in Malaysia
UNIDO	United Nations Development Organization
SIYBA	Start and Improve Your Business Association

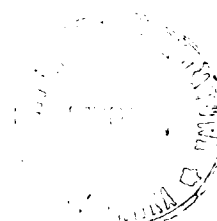


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